Federation of European Accountants
Fédération des Experts comptables Européens

Hans Hoogervorst
Chairman
International Accounting Standards Board
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E-mail: commentletters@ifrs.org

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Ref.: BAN/PRJ/SKU/IDS

Dear Mr Hoogervorst,

Re: FEE Comments on the IASB Exposure Draft *Mandatory Effective Date of IFRS 9*

(1) FEE (the Federation of European Accountants) is pleased to provide you with its response to the IASB Exposure Draft *Mandatory Effective Date of IFRS 9* (the "ED").

(2) As a founding organisation of EFRAG, we have also contributed to the EFRAG consultation process by submitting on 18 October 2011 the FEE comments.

(3) FEE welcomes the Board's decision to postpone the effective date of IFRS 9. However, we think that rather than setting a fixed effective date, it would be more appropriate to oblige entities to apply IFRS 9 at least 36 months after the last phase of the standard has been issued.

(4) In our letter we also consider IFRS 9 links to other major IFRS projects currently under the Board's consideration.

(5) Our responses to the questions in the ED are contained in the Appendix to this letter.

For further information on this letter, please contact Sylwia Kujawa, Project Manager, at the FEE Secretariat on +32 2 285 40 86 or via email at sylwia.kujawa@fee.be.

Yours sincerely,

Philip Johnson
President

Question 1:
The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

Deferral of mandatory effective date

(6) We are supportive of the Board's intention to defer the mandatory effective date of IFRS 9 and argue that setting a fixed effective date in current circumstances – when completion of most of the financial instruments projects and possibly macro-hedging have been delayed to late 2011 or 2012 - should be re-considered.

(7) The ED confirms how important it is to allow reporting entities to apply the requirements of all phases of IFRS 9 simultaneously. Moreover, we believe it is vital that the remaining phases of the whole project are completed to a high standard, allowing sufficient time for outreach activities and also the due process.

(8) As we stated in our letter on *Effective Dates and Transition Methods* issued to the Board on 10 February 2011, we are of the opinion that the mandatory effective date for the implementation of all phases of IFRS 9 and the other major projects currently under consideration of the Board (*Revenue from Contracts with Customers, Leases including Accounting by the Lessor, Insurance Contracts and Financial Instruments (IFRS 9)*) should be 36 months from their issuance.

Interaction with other IFRS standards

(9) It would be ideal to align the effective dates of all the above standards as they are significantly interlinked. Like we stated in our letter issued to the Board on 10 February 2011 on *the IASB's Request for Views: Effective Dates and Transition Methods*, we prefer a single effective date approach for standards resulting from the IASB's projects on *Revenue from Contracts with Customers, Leases, Insurance Contracts* and *Financial Instruments* (IFRS 9). These standards are interlinked or complementary. Therefore, a piecemeal approach should be avoided to ensure the relevance of the financial information and the comparability between entities, in as much as possible.

(10) Also, like we stated in our letter to the Board on *the IASB Exposure Draft Hedge Accounting* dated 8 March 2011, we believe that there is not only a need to consider all the interdependencies of all phases of the IFRS 9 project and other related IASB projects (e.g. insurance contracts), but also the outcome of the recent *IASB's Request for Views on the Effective Dates and Transition Methods*. However, if it would not be possible to align the effective dates of all the above standards, the Board could consider other options.

(11) As noted in our comments on *the IASB Exposure Draft Insurance Contracts* submitted to the Board on 30 November 2010, it would be ideal to bring in line the mandatory application of IFRS 9 and the final standard for insurance contracts. We agree with the Board that this way insurance undertakings would not have to face two rounds of changes in a short period.

(12) However, if the above ideal solution is not possible and only in the case that the IFRS 4 replacement standard is significantly delayed, we would be supportive of mandatory adoption of IFRS 9 separately, with the IFRS 4 replacement standard becoming compulsory later.

(13) Moreover, if IFRS 9 would be issued significantly earlier than the IFRS 4 replacement standard, the IASB should consider to make both standards mandatory at the same date as a platform at least for holders of insurance contracts and holders of financial instruments backing insurance liabilities.

Early application

(14) We welcome the fact that early application of the whole IFRS 9 (and other related standards) will be permitted, particularly since we know that phase one is already used outside the EU by some preparers.

Question 2:
The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?'

(15) As a matter of principle, we always prefer a full retrospective application of the newly issued standards in order to facilitate a year-on-year comparison. However, the lead time between the completion of the entire standard and its mandatory effective date needs to be considered. Notwithstanding acceptance of the requested 36 month gap between the date of completion and the mandatory effective date, the comparative figures should cover 12 months only to avoid the need for restatement of the earliest reported period required under certain circumstances by IFRS or regulatory requirements.

(16) Furthermore, we consider the requirement not to apply IFRS 9 to items that have been derecognised within the comparative period as conceptually problematic and impractical both for the preparers and for the users. Therefore, we suggest the IASB requires entities to apply IFRS 9 to all financial instruments held in the current and/or comparative period.

(17) Considering the complexity of the existing proposals and as the final solutions are not yet decided, the Board should commit to review the treatment of comparatives once the complete version of IFRS 9 is finalised in order to review the practicability of application and the risk of "the hindsight approach" particularly in the area of hedge accounting.